
**Housing, Human Services & Veterans
Committee**

HB 1861

Brief Description: Creating the Washington future fund trust fund program.

Sponsors: Representatives Stonier, Berry, Macri, Harris, Orwall, Wylie, Simmons, Chopp, Johnson, J., Riccelli, Harris-Talley, Bergquist, Ramel and Frame; by request of State Treasurer.

Brief Summary of Bill

- Creates the Washington Future Fund Trust Fund to provide a sum of money in a savings and investment account for individuals born into families with limited means for the purpose of postsecondary education, purchasing a home, or starting a business, provided the individual meets certain eligibility requirements and makes a claim for funds at the age of 18 through 30.
- Establishes and prescribes membership of the Washington Future Fund Trust Fund Committee.
- Appropriates the sum of \$64,000,000 from the General Fund for the purpose of beginning investments in the Washington Future Fund Trust Fund.

Hearing Date: 1/18/22

Staff: Lena Langer (786-7192).

Background:

Washington State Investment Board.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

The Washington State Investment Board (WSIB) is an independent Board of Trustees who have a fiduciary responsibility to manage retirement and public fund investments, with an objective to maximize returns at a prudent level of risk for the exclusive benefit of fund participants and beneficiaries. As of September 30, 2021, the WSIB manages \$186.3 billion worth of total assets.

Washington's Birth Rate.

In 2020, there were 81,756 births recorded in Washington State. Of these births, 37,412 were Medicaid-related and of this number approximately 20,000 births were covered by the Apple Health for Pregnant Women Program.

Apple Health.

Medicaid is a federal-state partnership with programs established in the federal Social Security Act, and implemented at the state level with federal matching funds. Apple Health is Washington's Medicaid program serving qualifying low-income clients and administered by the Health Care Authority. Apple Health offers a complete medical benefits package to eligible families, children under age 19, low-income adults, certain disabled individuals, and pregnant women.

Baby Bonds.

Connecticut recently enacted a Baby Bonds Program. This program went into effect July 1, 2021, and creates a trust for children born into families enrolled in HUSKY, the state's Medicaid program. Between the ages of 18 and 30, beneficiaries may submit a claim for an allowable expense if they are a Connecticut resident and have completed an approved financial literacy course. The funds may be used to start or invest in a Connecticut business, buy a home in Connecticut, pay for higher education, or save for retirement.

Summary of Bill:

The Washington Future Fund Trust Fund.

The Washington Future Fund Trust Fund (Trust) is established in the custody of the State Treasurer, comprised of private or public sources, to finance benefits for designated beneficiaries.

Beginning on a designated beneficiary's 18th birthday and before the designated beneficiary's 31st birthday, a designated beneficiary is eligible to receive the total sum of the initial investment and investment earnings to be used for an eligible expenditure. Designated beneficiaries may submit a claim for benefits, provided that they:

- are residents of the state of Washington;
- have successfully completed a financial education course or a comparable financial education offering as determined by the State Treasurer; and
- are facing financial hardship.

If the designated beneficiary is deceased before submitting a valid claim or does not submit a

valid claim before the designated beneficiary's 31st birthday, such accounting shall be credited back to the assets of the Trust.

Trust assets are not considered assets for determining an individual's eligibility for assistance under any program administered by the Department of Social and Health Services or needs-based institutional aid grants offered to an individual at the public educational institutions in the state.

Definitions.

Designated beneficiary means an individual:

- who is born on after January 1, 2024;
- whose birth was subject to medical coverage provided under Apple Health for Kids; and
- who is facing financial hardship at the time of making a claim for funds provided by the Trust.

Eligible expenditure means an expenditure associated with any of the following:

- postsecondary education of a designated beneficiary in Washington State, including trade schools, apprenticeships, and technical certifications;
- purchase of a home in Washington State by a designated beneficiary; or
- the formation of a business in Washington State by a designated beneficiary.

Facing financial hardship means having an income less than 193 percent of the Federal Poverty Level.

Committee on the Washington Future Fund Trust Fund.

A committee on the Trust (Committee) is established, with the following membership:

- one member of the Senate from each of the two largest caucuses, appointed by the President of the Senate;
- one member of the House of Representatives from each of the two largest caucuses, appointed by the Speaker of the House of Representatives;
- the State Treasurer, or the Treasurer's designee;
- two members representing underrepresented communities and one member representing an economic empowerment organization, appointed by the State Treasurer; and
- the Director of the Washington Health Care Authority, or the Director's designee.

Appointed members are to serve a two-year term that begins on January 1, 2023. The Committee is chaired by the State Treasurer and staffed by the Office of the Treasurer. The State Treasurer is to convene the initial meeting of the Committee in 2029. Subsequent meetings are to be held as follows:

- annual meetings through 2034;
- semiannual meetings in 2035 through 2039; and
- quarterly meetings in 2040 through 2042.

The Committee is to review the following topics:

- the distribution of funds in accordance with the intent of the Trust;
- how to determine eligibility at the time funds are received, including means-testing and identification verification;
- how to monitor the designated beneficiary's use of funds to ensure compliance with program requirements;
- the creation of a campaign to increase public awareness of eligibility of the program;
- the identification and approval of financial education course offerings; and
- other policy considerations that may arise and be pertinent to the administration of the Trust.

Legislative members are reimbursed for travel expenses as provided in statute. Nonlegislative members are not entitled to be reimbursed for travel expenses if they are elected officials or are participating on behalf of an employer, governmental entity, or other organization. Any reimbursement for other nonlegislative members is subject to limitation as provided in statute.

Committee expenditures are subject to approval by the Senate Facilities and Operations Committee and the House of Representatives Executive Rules Committee, or their successor committees. The Committee must report its findings and recommendations to the appropriate committees of the Legislature by December 1, 2040. The statutory authority for the Committee expires on January 1, 2045.

Washington State Investment Board.

The WSIB has the full power to invest, reinvest, manage, contract, sell, or exchange investment money in the Trust. All investments made by the WSIB are to be made with the exercise of judgment and care required by statute and consistent with the investment policy established by the WSIB. As deemed appropriate by the WSIB, money in the Trust may be commingled for investment with other funds subject to investment by the WSIB. The authority to establish all policies relating to the Trust resides with the State Treasurer. The WSIB is to routinely consult and communicate with the State Treasurer on the investment policy, earnings of the Trust, and related needs of the program.

Health Care Authority.

Beginning September 1, 2025, and on or before the first day of each subsequent September, the Health Care Authority (HCA) must inform the State Treasurer of the number of designated beneficiaries born in the prior fiscal year. The State Treasurer is to then submit to the Office of Financial Management a calculation of the total amount required to deposit into the Trust in an amount equal to \$3,200 per designated beneficiary born in the prior fiscal year.

The State Treasurer and the HCA are to enter into a memorandum of understanding to establish information sharing practices to carry out the purposes of the legislation, subject to federal and state laws governing the disclosure of confidential information related to designated beneficiaries. The HCA is to enter into a data sharing agreement with the Office of the State Treasurer to share the necessary data to facilitate the Trust. The HCA is to retain client eligibility records for children born under Apple Health until they turn 31 years old.

Other Provisions.

Disbursements from the Trust are exempt from appropriations and allotments however, money used for program administration is subject to the allotment and budgetary controls. All monies in the fund, property and rights purchased from the fund, and income attributable to the fund are to be held in trust by the WSIB, for the exclusive benefit of the Trust beneficiaries.

The State Treasurer, the Office of the State Treasurer, and the WSIB are not liable to the state, to the Trust, or any other person as a result of their activities relating to this Trust, whether these activities are ministerial or discretionary, except for the willful dishonesty or intentional violations of the law. The State Treasurer may purchase liability insurance for the State Treasurer and the Office of the State Treasurer. The WSIB may purchase liability insurance for its members.

The State Treasurer may receive gifts, grants, and endowments from public or private sources as may be made from time to time, in trust or otherwise, for the use and benefit of the purposes of the Trust. The State Treasurer may expend gifts, grants, and endowments according to their terms.

The Trust must receive its proportionate share of earning based on the Trust's average daily balance for the period.

The State Treasurer may adopt rules for the implementation of this legislation.

A technical correction is made to clarify that the Rosa Franklin Legislative Intern Program Scholarship is listed in statute as the Rosa Franklin Legislative Intern Program Scholarship Account.

Appropriation: The sum of \$64,000,000, or as much thereof as may be necessary.

Fiscal Note: Requested on January 13, 2022.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.